

Financial Highlights

(thousands of dollars except per share data, numbers of shares and kilometres of seismic data)	Three months ended December 31,		Years ended December 31,	
	2021	2020	2021	2020
Revenue				
Data library sales	16,172	5,142	48,717	11,011
Other revenue	133	81	433	338
Total revenue	16,305	5,223	49,150	11,349
Amortization of seismic data library	2,500	2,493	10,010	11,348
Net earnings (loss)	8,158	287	21,514	(6,786)
Per share basic and diluted	0.15	0.01	0.40	(0.13)
Cash provided by operating activities	4,010	752	29,799	3,814
Per share basic and diluted	0.07	0.01	0.55	0.07
Cash EBITDA ^(a)	13,936	4,200	42,696	7,553
Per share basic and diluted ^(a)	0.26	0.08	0.79	0.14
Shareholder free cash flow ^(a)	10,828	2,977	32,082	5,346
Per share basic and diluted ^(a)	0.20	0.06	0.60	0.10
Capital expenditures				
Seismic digitization and related costs	62	96	350	383
Property and equipment	—	—	8	7
Total capital expenditures	62	96	358	390
Weighted average shares outstanding				
Basic and diluted	53,791,997	53,793,317	53,792,984	53,793,317
Shares outstanding at period-end			53,784,717	53,793,317
Seismic library				
2D in kilometres			829,207	829,207
3D in square kilometres			65,310	65,310

Financial Position and Ratios

(thousands of dollars except ratios)	December 31, 2021	December 31, 2020
Working capital	9,749	5,601
Working capital ratio	2.7:1	3.6:1
Total assets	52,899	56,742
Long-term debt	2,265	27,715
Cash EBITDA ^(a) for the years ended December 31	42,696	7,553
Shareholders' equity	44,141	25,266
Long-term debt to cash EBITDA ratio	0.05	3.67
Long-term debt to equity ratio	0.05	1.10

(a) These non-GAAP financial measures are defined, calculated and reconciled to the nearest GAAP financial measures in the Management's Discussion and Analysis.

Independent Auditors' Report

TO THE SHAREHOLDERS OF PULSE SEISMIC INC.

OPINION

We have audited the consolidated financial statements of Pulse Seismic Inc. (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2021 and December 31, 2020, and the consolidated statements of net earnings (loss) and comprehensive income (loss), changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2021 and December 31, 2020, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards.

BASIS FOR OPINION

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audits of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Revenue recognition

The accounting policy for revenue recognition is set out in Note 4(a) and Note 5 to the consolidated financial statements. The transfer of control of seismic data from data library sales was identified as a key audit matter as the point in time in which control transfers to the customer may require management's judgment. Significant auditor judgment was required to evaluate evidence for the point in time in which a customer obtains control of seismic data in a data library sale.

We responded to this matter by performing procedures in relation to revenue recognition. Our audit work in relation to this included, but was not restricted to, the following:

- We selected a sample of data library sales contracts throughout the year to evaluate the point in time when control of the data library is transferred to the customer;
- We verified the completion of performance obligations satisfied at a point in time through proof of data transfer;
- We assessed the receipt and collectibility of the revenue recognized on data library sales; and,
- We assessed the appropriateness of the disclosures relating to recognition of revenue in the notes to the consolidated financial statements.

OTHER MATTER

The consolidated financial statements of the Company as at and for the year ended December 31, 2020 were audited by another auditor who expressed an unmodified opinion on those consolidated financial statements on February 17, 2021.

OTHER INFORMATION

Management is responsible for the other information. The other information comprises Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audits of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audits or otherwise appears to be materially misstated. We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF MANAGEMENT AND THOSE CHARGED WITH GOVERNANCE FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audits and significant audit findings, including any significant deficiencies in internal control that we identify during our audits.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Stephen Bonnell.

MNP LLP

Chartered Professional Accountants

Calgary, Canada

February 17, 2022

Consolidated Statements of Financial Position

(thousands of Canadian dollars)

As at December 31,	Note	2021	2020
ASSETS			
Trade and other receivables	6	15,030	7,527
Prepaid expenses		363	248
Total current assets		15,393	7,775
Seismic data library	7	37,228	46,888
Property and equipment		50	206
Long-term receivables	6	—	1,140
Right-of-use assets	8	228	733
Total non-current assets		37,506	48,967
Total assets		52,899	56,742
LIABILITIES AND SHAREHOLDERS' EQUITY			
Accounts payable and accrued liabilities		2,593	994
Deferred revenue		45	150
Current portion of lease liabilities	8	479	815
Current income tax liabilities		2,527	215
Total current liabilities		5,644	2,174
Long-term debt	9	2,265	27,715
Deferred income tax liabilities	10(b)	572	962
Lease liabilities	8	21	543
Other long-term payable	12	256	82
Total non-current liabilities		3,114	29,302
Total liabilities		8,758	31,476
SHAREHOLDERS' EQUITY			
Share capital	11	74,569	74,581
Contributed surplus		2,702	2,500
Deficit		(33,130)	(51,815)
Total shareholders' equity		44,141	25,266
Total liabilities and shareholders' equity		52,899	56,742

Subsequent event

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See accompanying notes to consolidated financial statements.

On behalf of the Board:



Robert Robotti
Chair of the Board



Paul Crilly
Audit and Risk Committee Chair

Consolidated Statements of Net Earnings (loss) and Comprehensive Income (loss)

(thousands of Canadian dollars except per share data)

Years ended December 31,	Note	2021	2020
Revenue			
Data library sales	5	48,717	11,011
Other revenue		433	338
Total revenue		49,150	11,349
Operating expenses			
Amortization of seismic data library	7	10,010	11,348
Salaries, internal commissions and benefits	14	4,613	2,468
Other selling, general and administrative costs	15	1,905	1,495
Depreciation		614	667
Total operating expenses		17,142	15,978
Results from operating activities		32,008	(4,629)
Financing costs			
Financing expenses	16	1,889	2,200
Interest income		(62)	(214)
Net financing costs		1,827	1,986
Earnings (loss) before income taxes		30,181	(6,615)
Current income tax expense		9,003	395
Deferred income tax recovery		(336)	(224)
Income tax expense	10(d)	8,667	171
Net earnings (loss) and comprehensive income (loss)		21,514	(6,786)
Net earnings (loss) per share, basic and diluted	13	0.40	(0.13)

See accompanying notes to consolidated financial statements.

Consolidated Statements of Changes in Equity

(thousands of Canadian dollars, except number of shares)

	Note	Number of shares issued	Share capital	Contributed surplus	Deficit	Total equity
Balance at January 1, 2020		53,793,317	74,581	2,421	(45,029)	31,973
Net loss for the period		—	—	—	(6,786)	(6,786)
Share-based compensation	12	—	—	264	—	264
Settlement of vested long-term incentive plan award	12	—	—	(106)	—	(106)
Tax effect of equity-settled share-based compensation	10(c)	—	—	(79)	—	(79)
Balance at December 31, 2020		53,793,317	74,581	2,500	(51,815)	25,266

	Note	Number of shares issued	Share capital	Contributed surplus	Deficit	Total equity
Balance at January 1, 2021		53,793,317	74,581	2,500	(51,815)	25,266
Net earnings for the period		—	—	—	21,514	21,514
Share-based compensation	12	—	—	311	—	311
Settlement of vested long-term incentive plan award	12	—	—	(163)	—	(163)
Tax effect of equity-settled share-based compensation	10(c)	—	—	54	—	54
Normal course issuer bid	11(a)	(8,600)	(12)	—	(5)	(17)
Dividends paid	11(b)	—	—	—	(2,824)	(2,824)
Balance at December 31, 2021		53,784,717	74,569	2,702	(33,130)	44,141

See accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flows

(thousands of Canadian dollars)

Years ended December 31,	Note	2021	2020
Cash flows provided by (used in):			
Operating:			
Net earnings (loss) and comprehensive income (loss)		21,514	(6,786)
Adjustment for:			
Amortization of seismic data library	7	10,010	11,348
Depreciation		614	667
Income tax expense	10(d)	8,667	171
Equity-settled share-based compensation	12	311	264
Net financing costs		1,827	1,986
Interest and standby fees paid		(1,893)	(1,856)
Interest paid - lease liabilities	8	(45)	(112)
Interest received		—	2
Income tax paid		(6,688)	(182)
Income tax received		—	78
		34,317	5,580
Net change in non-cash working capital	17	(4,518)	(1,766)
Cash provided by operating activities		29,799	3,814
Financing:			
Normal course issuer bid	11(a)	(17)	—
Shares purchased for equity-settled share-based payments	12	(163)	(106)
Proceeds from long-term debt		—	17,978
Repayment of long-term debt		(25,603)	(21,775)
Dividends paid	11(b)	(2,824)	—
Lease payments for principal		(771)	(703)
Debt transaction costs		(63)	(174)
Cash used in financing activities		(29,441)	(4,780)
Investing:			
Seismic data digitization and related costs	7	(350)	(383)
Additions to property and equipment		(8)	(7)
Cash used in investing activities		(358)	(390)
Decrease in cash and cash equivalents		—	(1,356)
Cash and cash equivalents, beginning of year		—	1,356
Cash and cash equivalents, end of year		—	—

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

INFORMATION AS AT DECEMBER 31, 2021 AND 2020 AND FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

(Tabular amounts in thousands of Canadian dollars, except per share data, numbers of shares and other exceptions as indicated).

1. Reporting entity

Pulse Seismic Inc. (the Company) was incorporated under the Canada Business Corporations Act and is a publicly-listed company on the Toronto Stock Exchange (TSX) trading under the symbol PSD and on the OTCQX International trading under the symbol PLSDF. The Company's registered office is located at 421, 7th Avenue SW in Calgary, Alberta. The Company is a provider of seismic data to the energy and resource sector in western Canada.

2. Basis of preparation

(A) STATEMENT OF COMPLIANCE

The consolidated financial statements were prepared in accordance with International Financial Reporting Standards (IFRS).

The consolidated financial statements were prepared by the Company's management and were approved by the Board of Directors on February 17, 2022.

(B) BASIS OF PRESENTATION

The consolidated financial statements include the accounts of the Company's wholly-owned subsidiaries. Certain comparative figures have been reclassified to conform to the current year's presentation.

(C) BASIS OF MEASUREMENT

The consolidated financial statements were prepared on the historical cost basis.

(D) FUNCTIONAL AND PRESENTATION CURRENCY

The consolidated financial statements are presented in Canadian dollars, the Company's functional currency. All financial information presented in Canadian dollars has been rounded to the nearest thousand, except per share data, number of shares and other exceptions as indicated.

(E) BASIS OF CONSOLIDATION

(I) JOINT OPERATIONS

Certain of the Company's seismic data library assets are jointly owned with others. The consolidated financial statements include the Company's share in the joint assets, joint liabilities, expenses incurred and income earned from the joint operations.

(II) TRANSACTIONS ELIMINATED ON CONSOLIDATION

Intra-group balances and transactions, and any unrealized income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

(F) USE OF ESTIMATES AND JUDGEMENTS

Preparing the consolidated financial statements in accordance with IFRS required management to make estimates and judgements that affected the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the revenue and expenses attributed to the reporting period. Actual results could differ from those estimates.

Estimates and underlying assumptions are reviewed at a minimum annually, as required by IFRS. Changes to accounting estimates are recognized in the year in which the estimates are revised and in any future years affected.

The following note provides information about critical judgements in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements:

- Note 4(a) – Traditional data library sales are conducted under various types of licensing agreements. These contracts may require management to use judgement to assess when control of seismic data has transferred to the customer in accordance with IFRS 15. As a result, these judgments affect the timing of revenue recognition.
- Note 4(g) – The Company uses judgement in determining its cash-generating units (CGUs) for purposes of impairment testing. The determination was based on management's judgement in regard to the smallest identifiable group of seismic data that generates cash flows largely independent of the cash flows from other data. Changes in the determination of CGUs could have a significant impact on the carrying value of the assets and result in additional impairment charges or reversal of impairment charges in future periods.

The following notes provide information about assumptions and estimation uncertainties that could result in a material adjustment in future years:

- Note 4(e) – Amortization of seismic data library is based on management's estimates of expected future sales, expected useful lives, market developments and experience. These estimates may change due to changes in market conditions, potential prospects, exploration licence duration, exploration and development in certain areas, government regulations and general economic conditions. Because of the inherent difficulty in estimating market developments and future sales, the amortization rates might not accurately reflect the useful life of the data library. The amortization rates are adjusted if it is determined that estimated useful lives have changed.
- Note 4(g) – Impairment tests, if required, involve the estimation of future cash flows, requiring management to make judgments regarding long-term forecasts of future revenues and costs related to the seismic data library and residual values. These forecasts are subject to uncertainty as they require assumptions about demand for seismic data and future market conditions. Significant changes in these assumptions could require a provision for impairment in a future period.
- Note 4(h) – Deferred tax assets are recognized for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Significant management judgment is required to determine the deferred tax assets amounts that can be recognized, based on the likely timing and level of future taxable profits. The estimates of projected future taxable profits are based on a variety of factors and assumptions, many of which are subjective and outside the Company's control. Accordingly, these estimates could differ significantly from year to year, and the Company might end up realizing more or less of the deferred tax assets than it has recognized in the consolidated financial statements
- Note 4(k) – The number of Performance Share Units (PSUs) expected to vest is based on management's estimates of expected future results and vesting criteria in subsequent years. These forecasts are uncertain as they require assumptions about future market conditions, revenues, expenses and vesting criteria. Significant changes in the assumptions could require an adjustment to the amount of share-based compensation recognized.

3. COVID-19 estimation uncertainty

Ongoing uncertainty caused by the global pandemic continues to influence global oil and natural gas demand and commodity pricing. These factors are likely to continue affecting business conditions for the Company.

There may continue to be adverse impacts on the Company, including but not limited to:

- Declines in revenue and cash flows as the Company's customers, which are concentrated in the oil and natural gas industry, once again cut capital budgets and field activities; and
- Non-performance by the Company's customers, in turn resulting in non-payment of accounts receivable and customer defaults.

The situation surrounding COVID-19 evolved significantly in 2021 with the widespread availability of vaccines.

The Company continues to monitor administrative and operating expenses and capital spending plans closely.

4. Significant accounting policies

The accounting policies set out below have been applied consistently to both years presented in these consolidated financial statements.

(A) REVENUE RECOGNITION

Revenue for data library sales is recognized when a customer obtains control of seismic data through receipt and acceptance of the data, at which point invoices are generated. Invoices are usually payable within 30 days.

Some customers request extended payments terms which, when granted by the Company usually are not for more than one year. For such transactions, the Company discounts its account receivable and the related amount of data library sales revenue is reallocated to interest income.

(B) BUSINESS COMBINATIONS/ASSET ACQUISITIONS

Where appropriate, the Company applies the acquisition method to account for business combinations. The Company measures goodwill as the fair value of the consideration transferred, less the fair value of the identifiable assets acquired and liabilities assumed, all measured at the acquisition date.

The Company makes judgments on a case-by-case basis to determine whether an acquisition meets the definition of a business and, in turn, to determine whether a transaction should be accounted for as a business combination or as an asset acquisition. An optional concentration test may also be applied that permits a simplified assessment of whether or not an acquired set of activities and assets is a business.

The concentration test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets. If the test is met, the Company can elect to account for the acquisition as an asset acquisition instead of a business acquisition.

(C) FINANCIAL INSTRUMENTS

Financial assets of the Company include cash and cash equivalents and trade receivables. Financial liabilities of the Company mainly comprise accounts payable and accrued liabilities, other long-term payable, and long-term debt.

Classification and measurement of financial assets and financial liabilities are included in the following table:

Financial Asset (Liability)	Category	Measurement
Cash and cash equivalents	Assets at amortized cost	Amortized cost
Accounts receivable	Assets at amortized cost	Amortized cost
Accounts payable and accrued liabilities	Financial liabilities at amortized cost	Amortized cost
Other long-term payable	Financial liabilities at amortized cost	Amortized cost
Long-term debt	Financial liabilities at amortized cost	Amortized cost

(D) CASH AND CASH EQUIVALENTS

Short-term investments with an original maturity of three months or less, net of the operating line of credit, are considered to be cash equivalents.

(E) SEISMIC DATA LIBRARY

The seismic data library has a finite useful life and is measured at cost less accumulated amortization and impairment losses. Additions to the seismic data library arise in two distinct ways: (i) participation surveys and (ii) the purchase of existing data. Costs directly incurred in acquiring, processing and otherwise completing seismic surveys are capitalized to the seismic data library.

Subsequent expenditures on data library assets, such as reprocessing and digitization, are capitalized only when the expenditure increases the asset's future economic benefits. All other expenditures are recognized in earnings as incurred.

Amortization is calculated over the cost of the asset.

The costs of purchased data are amortized on a straight-line basis over seven years.

Amortization is based on management's estimates of expected future sales, expected useful lives, market developments and experience. These estimates may change due to changes in market conditions, potential prospects, exploration licence duration, exploration and development in certain areas, government regulations and general economic conditions. Amortization methods and useful lives are reviewed at each financial year-end and adjusted if appropriate.

(F) PROPERTY AND EQUIPMENT

Property and equipment are recorded at cost less accumulated depreciation and impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset.

Depreciation is calculated over the depreciable amount, which is the cost of an asset less its residual value. Depreciation is recognized in earnings over the estimated useful life of each significant component of an item of property and equipment on a straight line basis.

Depreciation is provided using the following methods:

	Straight Line
Computer hardware and software	3 years
Office equipment	5 years
Leasehold improvements	Balance of lease term

(G) IMPAIRMENT OF LONG-LIVED ASSETS

The carrying amounts of the seismic data library, property and equipment, and intangible assets are reviewed at each reporting date by management to determine whether there is an indication of impairment. If so, the asset's recoverable amount is estimated based on the higher of its fair value less costs to sell and its value in use.

Factors considered important by the Company that could trigger an impairment assessment include:

- Significant underperformance relative to expected operating results based on historical and/or projected data;
- Significant changes in the manner of the use of the asset or the strategy of the overall business; and
- Significant negative industry or economic trends.

The recoverable amount of tangible and intangible assets is the greater of value in use and fair value less costs of disposal. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessment of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets are classified in the smallest grouping that generates cash flows from continuing use that are largely independent of the cash flows of other assets or groups (the CGU).

An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognized in earnings or loss. Impairment losses recognized in respect of a CGU are allocated to the carrying amount of the assets in the unit on a pro-rata basis.

Impairment losses for assets recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount and only to the extent that the assets' carrying value does not exceed the carrying amount that would be determined, net of amortization or depreciation, if no impairment loss had been recognized.

(H) INCOME TAXES

Income tax expense comprises current and deferred tax. Income tax expense is recognized in earnings or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to taxes payable in respect of previous years.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates expected to be applied to the temporary differences when they are reversed, based on the laws enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

Deferred tax is not recognized for the following differences:

- The initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable income or loss; and
- Differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable they will not be reversed in the foreseeable future.

A deferred tax asset is recognized to the extent that it is probable that future taxable income will be available against which deductible temporary differences can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable the related tax benefit will be realized.

(I) PER SHARE AMOUNTS

Basic per share amounts are calculated using the weighted average number of shares outstanding during the period.

(J) SHARE CAPITAL

Common shares are classified as equity. When shares are sold, the consideration received, including directly attributable costs, net of any tax effect, is recognized as a change in share capital. The Company purchases shares for cancellation under its normal course issuer bid (NCIB). The cost of purchasing shares for cancellation is first charged to share capital to the extent of the average carrying value of the common shares purchased and the excess is charged to retained earnings. No gain or loss is recognized in the consolidated statements of net loss and comprehensive loss on the purchase, sale, issuance or cancellation of the Company's own equity instruments.

(K) SHARE-BASED PAYMENTS

The Company has a long-term incentive plan (LTIP) under which participants are granted restricted share units (RSUs) and performance share units (PSUs). All amounts awarded are at the discretion of the Board of Directors. RSUs and PSUs have accompanying dividend-equivalent rights and, therefore, additional RSUs and PSUs are issued to reflect dividends declared, if applicable, on the common shares. The plan's trustee will purchase common shares on the open market for the after-tax number of RSUs and PSUs vested with funds provided by the Company. The RSUs and PSUs are treated as equity-settled share-based payments and the related payroll taxes are treated as cash-settled share-based payments.

The compensation expense is recognized over the vesting period. For equity-settled share-based payments, the compensation expense is based on the number of RSUs and PSUs expected to vest and the market value of a common share of the Company on the grant date, with a corresponding increase to contributed surplus. For cash-settled share-based payments, the compensation expense is measured initially at the fair market value of the Company's shares at the grant date and subsequently adjusted for the additional shares granted based on the reinvestment of notional dividends and the market value of the shares at the end of each reporting period, with a corresponding increase to liabilities.

(L) EMPLOYEE BENEFITS

Short-term employee benefit obligations are calculated on an undiscounted basis and are expensed as the related services are provided.

A liability is recognized for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Company has a current legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(M) LEASES

At inception of a contract, the Company assesses whether a contract is or contains a lease. A contract is or contains a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. In order to perform this assessment, the Company determines whether: i) the Company has the right to obtain substantially all of the economic benefits from use of the asset through the period of use; and ii) the Company has the right to direct the use of the identified asset. The term of the lease is determined as the non-cancellable period of a lease and periods in which there is reasonable certainty the Company will exercise an option to extend or cancel a lease. The Company considers all relevant facts and circumstances that would create an economic incentive to extend or terminate a lease.

When a lease is identified, a right-of-use asset and a liability are recognized. At the commencement date of a lease, the Company measures lease liabilities at the present value of remaining lease payments, discounted using the interest rate implicit in a lease, if that rate can be readily determined. If that rate cannot be readily determined, the Company uses its incremental borrowing rate. Prospectively, the carrying amount of lease liabilities is increased by interest, offset by lease payments made. The initial cost of right-of-use assets is measured as the value of the lease liability, adjusted for any lease incentives received and initial direct costs. Right-of-use assets are depreciated over the shorter of the lease term or the useful life of the asset and recognized as cost less any accumulated depreciation and impairment losses.

(N) NET FINANCING COSTS OR INCOME

Financing expenses consist of interest and standby fee expense on long-term debt and amortization of the deferred financing costs. All borrowing costs are recognized in earnings or loss using the effective interest rate method.

Interest income is earned from term deposits and discounted accounts receivable with payment terms.

(O) GOVERNMENT GRANTS

Government grants are recognized when there is reasonable assurance that the grant will be received and all conditions associated with the grant are met. The Company has elected to deduct the wage subsidy from salaries, internal commissions and benefits and the rent subsidy from other selling, general and administrative costs.

5. Revenue

DATA LIBRARY SALES

There are three ways to disaggregate the Company's data library sales: transaction type, data type and geographically. Revenue fluctuations are a normal part of the seismic data library business, and data library sales can vary significantly year-over-year by transaction type, data type and geographically.

Traditional data library sales can occur at any time. This is due to the nearly continual changes in oil and natural gas industry conditions, increased demand for seismic data covering a specific area or reservoir type ("play"), and the timing of public offerings of petroleum and natural gas rights ("land sales").

Transaction-based sales can also occur at any time. This is due to corporate merger-and-acquisition, joint venture and asset disposition activity by the Company's customers, which is unpredictable.

The following tables provide a summary of the Company's revenue disaggregated by type:

(A) TRANSACTION TYPE

Years ended December 31,	2021	2020
Traditional sales	12,942	4,271
Transaction-based sales	35,775	6,740
Total data library sales	48,717	11,011

Traditional data library sales are conducted under various types of sale contracts. These are classified as data library sales, library cards, commitment cards and review-and-possession agreements. The unearned portion of a contract's value is deferred until the Company's revenue recognition criteria are met, with data library sales revenue being recognized upon transfer of control of the seismic data to the customer.

There are three main types of transaction-based sales: partnership or joint venture, corporate merger or acquisition, and oil and natural gas asset or group sales.

The first type, the partnership or joint venture sale, occurs when an oil and natural gas asset holder elects to pool their expertise, capital and/or assets with one or more new participants to explore or develop a play. Any new technical or operational participant that wishes to view or interpret the seismic data must purchase a data licence from the Company.

The second type, a corporate merger or acquisition sale, is triggered when the seismic data is transferred to the new organization. The buyer has 30 days to determine whether they would like to pay a change-of-control fee to keep the data licence or return the data to the Company.

In the third type, the sale of an oil and natural gas asset or group of assets, the related seismic data licence is not transferable. No rights to the seismic data accrue to the buyer, and there are no terms of payment in the licence agreement. Should the buyer be interested in the Company's seismic data, they must license the data from the Company. This type of sale is nevertheless classified as transaction-type because the triggering event is a transaction.

The precise terms of individual licence agreements can vary greatly. Change-of-control fees and joint venture copy fees may not always be payable, and licence agreements may not always be non-assignable.

(B) DATA TYPE

Years ended December 31,	2021	2020
2D data sales	5,348	1,183
3D data sales	43,369	9,828
Total data library sales	48,717	11,011

The Company's data library consists of 2D and 3D seismic data. As 3D seismic licence contracts are generally larger than 2D seismic licence contracts, the percentage of seismic data library sales generated from 2D and 3D data sales fluctuates significantly depending on the number of 3D seismic sale contracts signed during a given period.

(C) GEOGRAPHICAL BREAKDOWN

Years ended December 31,	2021	2020
Alberta sales	41,022	7,571
British Columbia sales	6,171	2,686
Other area sales	1,524	754
Total data library sales	48,717	11,011

The Company's customers are currently and generally focusing on liquids-rich natural gas and light oil pools found primarily in a broad corridor running from northwest of Calgary, Alberta, along the Foothills of the Rocky Mountains to the British Columbia border, as compared to "dry" natural gas more often found in British Columbia, on Alberta's eastern prairies and in Saskatchewan and Manitoba. For the year ended December 31, 2021, 84 percent (2020 - 69 percent) of the data library sales were from data located in Alberta, 13 percent from British Columbia (2020 - 24 percent) and 3 percent from other areas (2020 - 7 percent).

6. Trade and other receivables

As at December 31,	2021	2020
Data library trade receivables	14,686	7,472
Other	344	131
Discounted accounts receivables - current	–	(76)
	15,030	7,527
Total long-term receivables	–	1,155
Discounted accounts receivables - long-term	–	(15)
	–	1,140

7. Seismic data library

	2021	2020
Cost		
Opening balance, January 1	506,448	506,065
Acquisitions through purchases and related cost (Note 17)	350	383
Closing balance, December 31	506,798	506,448
Accumulated amortization		
Opening balance, January 1	459,560	448,212
Amortization for the year	10,010	11,348
Closing balance, December 31	469,570	459,560
Carrying amount, December 31	37,228	46,888

At December 31, 2021 and 2020, the Company assessed the CGUs in its seismic data library for indicators of impairment, as required under IFRS, and concluded there were no new indicators and, accordingly, that no impairment test was required.

8. Right-of-use (ROU) assets and lease liabilities

The ROU assets and related lease liabilities are included in the tables below:

ROU Assets

As at December 31,	2021	2020
Office and warehouse leases	733	1,230
Less		
Depreciation in the year	(505)	(497)
ROU assets	228	733

Lease Liabilities

As at December 31,	2021	2020
Opening balance	1,358	2,061
Repayments on principal and interest	(903)	(815)
Interest expense	45	112
Total lease liabilities	500	1,358
Less		
Current portion	(479)	(815)
Long-term portion	21	543

In January 2017 the Company signed a sublease agreement for an office space, which expires in March 2023.

On January 15, 2019, following the acquisition of Seitel Canada Ltd. (Seitel), the Company had to assume leases for a warehouse and an office space. The lease agreement for the warehouse expires in April 2022 and for the office space in November 2022.

9. Long-term debt

As at December 31,	2021	2020
Revolving credit facility	2,375	17,978
Subordinated debt	—	10,000
Deferred financing cost	(110)	(263)
Total long-term debt	2,265	27,715

On June 29, 2021, the Company repaid the \$10.0 million subordinated debt incurred as partial financing for the Seitel acquisition in January 2019. The subordinated debt had a 10 percent interest rate. The Company paid a \$750,000 prepayment premium as per the terms of the agreement. The \$750,000 was included in financing expenses.

On December 21, 2021, the Company renewed its revolving credit facility and extended the maturity date for two years to January 15, 2025. The facility's available borrowing amount remains at \$25.0 million and all other major terms, including financial covenants, are unaffected by the renewal.

Significant terms of the credit facility are:

- Interest is calculated based on the lender's prime rate, bankers' acceptance rate or LIBOR, plus an applicable margin based on the covenant ratio of total debt to adjusted EBITDA following a ten-tier structure. At December 31, 2021, the applicable interest rate was 3.2 percent, based on level 1 of the 10 rates specified under the facility;
- Standby fee is based on the daily undrawn balance of the credit facility and the Company's total debt to adjusted EBITDA ratio following a ten-tier margin structure. At December 31, 2021, the applicable standby fee was set at level 1 of the 10 rates specified under the facility;
- Three-year term until January 15, 2025, with an extension of up to one year available on January 15 of every year with the approval of the lender. If the extension is not granted, any outstanding amounts will be payable on the then-current applicable maturity date; and
- Security through a charge on all of the assets of the Company and its material subsidiaries.

The revolving credit facility also includes the following financial covenants:

(1) MAXIMUM LONG-TERM DEBT TO ADJUSTED EBITDA RATIO

The long-term debt to adjusted EBITDA ratio shall not be greater than 3.0:1 on December 31, 2021 and thereafter.

Adjusted EBITDA is to be calculated on a trailing 12-month basis and is defined as earnings or loss before interest, income taxes, depreciation and amortization, plus extraordinary losses, non-cash losses and expense charges, and any other unusual or non-recurring cash charges, expenses or losses consented to by the lenders, less participation survey revenue, lease payments treated as capital lease, warehouse storage fees, extraordinary gains and non-cash gains and income. Adjusted EBITDA is to be adjusted for acquisitions or dispositions to reflect such acquisition or disposition as if it occurred on the first day of such calculation period.

(2) MINIMUM INTEREST COVERAGE RATIO

The minimum interest coverage ratio is defined as the ratio of adjusted EBITDA to interest expense.

The minimum interest coverage ratio shall not be less than 2.5:1 at December 31, 2021 and thereafter.

At December 31, 2021, the long-term debt to adjusted EBITDA ratio was 0.06:1 and the interest coverage ratio was 23:1. The Company was in compliance with all covenants at December 31, 2021.

At December 31, 2021, Pulse's revolving credit facility balance was \$2.4 million with \$22.6 million of additional borrowing capacity.

10. Deferred tax assets and liabilities

(A) UNRECOGNIZED DEFERRED TAX ASSETS

Deferred tax assets have not been recognized in respect of the following temporary differences.

As at December 31,	2021	2020
Foreign exploration and development expense (FEDE)	712	785
Capital losses	3,297	3,297
	4,009	4,082

Deferred tax assets for these items have not been recognized because utilization of FEDE against future taxable income and future capital gains is not probable.

(B) RECOGNIZED DEFERRED TAX ASSETS AND LIABILITIES

Deferred tax assets and liabilities are attributable to the following:

As at December 31,	2021	2020
Deferred income tax assets:		
Financing fees	55	32
Resource expenditures	124	119
Long-term incentive plan	232	72
Deferred income tax asset	411	223
Deferred income tax liability:		
Seismic data library and participation surveys	983	1,185
Deferred income tax liabilities	983	1,185
Net deferred income tax liabilities	572	962

(C) MOVEMENT IN TEMPORARY DIFFERENCES DURING THE YEAR

	Deferred tax liabilities (assets) January 1, 2020	Recognized in income	Recognized in equity	Deferred tax liabilities (assets) December 31, 2020
Resource expenditures	(148)	29	–	(119)
Financing costs	(12)	(20)	–	(32)
Long-term incentive plan	(142)	(9)	79	(72)
Seismic data library	1,409	(224)	–	1,185
	1,107	(224)	79	962

	Deferred tax liabilities (assets) January 1, 2021	Recognized in income	Recognized in equity	Deferred tax liabilities (assets) December 31, 2021
Resource expenditures	(119)	(5)	–	(124)
Financing costs	(32)	(23)	–	(55)
Long-term incentive plan	(72)	(106)	(54)	(232)
Seismic data library	1,185	(202)	–	983
	962	(336)	(54)	572

(D) RECONCILIATION OF EFFECTIVE TAX RATE

In 2021 the combined federal and provincial income tax rate was reduced from 24 percent to 23 percent because of the reduction of 1 percent in the provincial income tax rate. Income tax expense differs from the amount that would be computed by applying the basic combined federal and provincial statutory income tax rate to earnings before income taxes. The reasons for the differences are as follows:

Years ended December 31,	2021	2020
Earnings (loss) before income tax	30,181	(6,615)
Combined federal and provincial income tax rate	23%	24%
Expected income tax expense	6,942	(1,588)
Effects of difference:		
Non-deductible expenses	6	6
Change in valuation allowance	(17)	(19)
Permanent difference related to the seismic data library acquired in January 2019	1,824	1,890
Permanent difference related to IFRS 16, Leases	(88)	(69)
Change in Alberta future corporate income tax rates	–	(49)
Actual income tax expense	8,667	171

11. Share capital

(A) SHARE CAPITAL

The Company's authorized share capital consists of an unlimited number of common and an unlimited number of preferred shares, issuable in series. The shares have no stated par value. No preferred shares have been issued. All common shares are entitled to receive dividends as declared and are entitled to one vote per share at Company meetings.

On October 29, 2021, the Company announced the renewal of its NCIB. The Company may purchase, for cancellation, up to a maximum of 3,097,433 common shares, equal to 10 percent of the public float of 30,974,330 common shares as at October 20, 2021. The Company is also limited under the NCIB to purchasing no more than 8,113 common shares on any given day, subject to the block purchase exemption under the TSX rules. The NCIB will continue until November 1, 2022. Purchases will be made on the open market through the TSX or alternative platforms at the market price of such shares. All shares purchased under the NCIB will be cancelled.

During the year ended December 31, 2021 the Company purchased for cancellation 8,600 common shares pursuant to its NCIB at a weighted average price of \$2.01 per share, including brokerage fees, for a total cost of \$17,300. The total cost paid, including fees, was first charged to share capital to the extent of the average carrying value of the common shares purchased and the excess of \$5,400 was charged to the deficit.

(B) DIVIDENDS

On October 27, 2021, the Company approved the resumption of regular quarterly dividends of \$0.0125 per share and declared a one time special dividend of \$0.04 per common share. The first regular dividend declared plus the special dividend totalling \$2.8 million were paid on November 29, 2021 to shareholders of record at the close of business on November 12, 2021.

12. Share-based payments

The Company has an LTIP for employees, officers and Directors designed to align the Company's long-term incentive compensation with its performance and to increase individual share ownership.

The LTIP awards consist of RSUs and PSUs, with Directors being granted RSUs only. Upon vesting, each RSU and PSU entitles the holder to one common share of the Company. RSUs and PSUs have accompanying dividend-equivalent rights and, therefore, additional RSUs and PSUs are issued to reflect dividends declared, if applicable, on the common shares.

In determining the amount of equity-settled share-based compensation related to PSUs, management makes estimates about future results and vesting criteria. It is reasonably possible that future outcomes could differ from the estimates, which are based on current knowledge, and require a material adjustment to the share-based compensation expense recorded in future periods. The impact of any change in the number of PSUs expected to vest is recognized in the period the estimate is revised.

On March 31, 2021, 161,805 RSUs and 206,981 PSUs were eligible to vest. The Company's performance in 2020 did not meet the predetermined performance benchmarks and, consequently, no PSUs vested on March 31, 2021. RSUs vest automatically based upon time and, consequently, all of the eligible RSUs vested automatically on March 31, 2021.

To satisfy its obligation, in April 2021 the Company provided \$163,000 to the plan's trustee to purchase common shares on the open market for the total after-tax number of cash- and equity-settled RSUs that vested on March 31, 2021. The related payroll taxes of \$110,000 were paid in the second quarter to settle the accrued cash-settled portion of the share-based payment liabilities

During the year ended December 31, 2021, the Company recognized \$727,000 (2020 – \$249,000) in compensation expense related to the LTIP in salaries, internal commissions and benefits on the consolidated statement of comprehensive earnings. The equity-settled portion was \$311,000 (2020 – \$264,000).

At December 31, 2021, the obligation related to the cash-settled portion of the LTIP was \$449,000 (December 31, 2020 – \$143,000) with \$193,000 (December 31, 2020 – \$61,000) included in accounts payable and accrued liabilities and \$256,000 (December 31, 2020 – \$82,000) included in other long-term payable.

The following summarizes activity in the Company's LTIP during the years ended December 31, 2021 and 2020:

RSUs	2021	2020
Outstanding, January 1	692,140	553,575
Vested and exercised	(161,805)	(186,658)
Granted	325,376	339,295
Reinvested	18,231	—
Cancelled or forfeited	(29,229)	(14,072)
Outstanding, December 31	844,713	692,140

PSUs	2021	2020
Outstanding, January 1	876,973	704,962
Granted	385,938	423,195
Reinvested	23,292	—
Cancelled or forfeited	(206,981)	(251,184)
Outstanding, December 31	1,079,222	876,973

The Company's performance in 2021 met a percentage of the predetermined performance benchmarks and, consequently, 9.5 percent of the PSUs will vest on March 31, 2022. RSUs vest automatically based upon time and, consequently, all of the eligible RSUs will vest automatically on March 31, 2022.

13. Earnings (loss) per share

(A) BASIC EARNINGS (LOSS) PER SHARE

The calculation of basic earnings per share at December 31, 2021 was based on the net earnings attributable to common shareholders of \$21.5 million for the year ended December 31, 2021 (year ended December 31, 2020 - net loss of \$6.8 million) and a weighted average number of common shares of 53,792,984 (2020 - 53,793,317).

(B) DILUTED EARNINGS PER SHARE:

The Company does not have any dilutive securities.

14. Salaries, internal commissions and benefits

Years ended December 31,	Note	2021	2020
Salaries and benefits		2,153	1,909
Internal commissions		563	158
Registered retirement savings plan contributions		135	109
Short-term incentives		1,035	43
Long-term incentives	12	727	249
Total salaries, internal commissions and benefits		4,613	2,468

In 2021, the Company benefited from the Canada Emergency Wage Subsidy (CEWS), a federal government COVID-19 related financial relief program, in the amount of \$312,000 (2020 - \$451,000). The Company's reported expenses for salaries and benefits are net of these amounts.

15. Other selling, general and administrative costs

Years ended December 31,	2021	2020
External commissions	25	(12)
Occupancy costs and other leases	244	377
Office and general costs	272	202
Information technology	247	331
Reprocessing and data storage	168	153
Directors' fees and corporate costs	356	308
Professional fees	593	316
Bad debt expense	–	(180)
Total other selling, general and administrative costs	1,905	1,495

In 2021, the Company benefited from the Canada Emergency Rent Subsidy (CERS), a federal government COVID-19 related financial relief program, in the amount of \$315,000 (2020 - \$124,000). The Company's reported occupancy cost and other leases are net of these amounts.

The allowance for impairment of trade receivables recorded in 2019 was related to one overdue account. On July 20, 2020, the Company received full payment from this customer and the aforementioned allowance was reversed in the third quarter of 2020 against the other selling, general and administrative costs.

16. Financing expenses

Years ended December 31,	Note	2021	2020
Interest expense		1,513	1,734
Standby fees		115	160
Deferred financing fees amortization		216	174
Financing fees		–	20
Lease liabilities interest expense	8	45	112
Total financing expenses		1,889	2,200

The interest expense includes the interest related to the revolving credit facility and the subordinated debt.

17. Net change in non-cash operating working capital

Years ended December 31,	2021	2020
Trade and other receivables	(7,503)	(3,572)
Prepaid expenses	(115)	99
Long-term receivable	1,140	3,179
Accounts payable and accrued liabilities	1,599	(144)
Deferred revenue	(105)	(1,444)
Other long-term payable	174	(38)
Others	292	154
Net change in non-cash operating working capital	(4,518)	(1,766)

18. Financial instruments

The Company's risk management policy objectives include the long-term management of the Company's business activities and, wherever possible, mitigation of the associated business risks. The Company has exposure to the following risks from its use of financial instruments:

- Credit risk;
- Liquidity risk; and
- Market risk.

(A) RISK MANAGEMENT

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework.

The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Audit and Risk Committee oversees how management monitors compliance with the Company's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Company. The Committee conducts reviews of risk management controls and procedures, the results of which are reported to the Board of Directors.

(B) CREDIT RISK

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's accounts receivable.

The Company is exposed to credit risk in connection with data sales and participation surveys with its customers. The Company's exposure to credit risk is influenced mainly by each customer's individual characteristics. The nature of the Company's customer base, including the default risk of the industry in which customers operate, has an influence on credit risk. As the Company operates to a large extent in the oil and natural gas industry, nearly all of the trade receivables relate to customers from this industry.

The effective monitoring and control of credit risk is a core competency of the Company. Each new customer is analyzed individually for creditworthiness, including credit reference checks, before payment and delivery terms and conditions such as credit limits are offered. Customer accounts are monitored and accounts receivable aging is regularly reviewed. Certain customers have signed agreements with the Company that provide for extended payment terms. The Company's credit risk increases in these arrangements due to their longer time-frame. The risk is mitigated by attempting to limit these arrangements to major oil and natural gas companies which have long operating histories and adequate resources to fulfill their commitments.

The majority of the Company's customers have been doing business with the Company for many years, and insignificant losses have occurred in the past. The Company does not require customers to provide collateral.

EXPOSURE TO CREDIT RISK

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was the value of accounts receivable of \$15.0 million. The Company has a significant concentration of customers in the oil and natural gas industry, with the majority located in Alberta. At December 31, 2021, 89 percent of total accounts receivable were due from three customers. For the year ended December 31, 2021, approximately 85 percent of the Company's data library sales were attributable to nine customers.

The aging of trade receivables at the reporting date was:

	2021		2020	
	Gross	Impairment	Gross	Impairment
Current	14,772	—	8,758	—
Past due 31-60 days	56	—	—	—
Past due 61-90 days	48	—	—	—
More than 90 days	154	—	—	—
Total	15,030	—	8,758	—

Accounts receivable over 90 days are monitored and assessed for impairment. Those accounts are evaluated on a case-by-case basis using information received from the customer and market information.

As of February 17, 2022, the Company has collected \$14.8 million or 98.3 percent of the December 31, 2021 trade and other receivables and believes that all remaining accounts receivable are collectible, based on historical payment behaviour and extensive analysis of customers' underlying credit ratings.

(C) LIQUIDITY RISK

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled in cash or another financial asset. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under normal and stressed conditions, without incurring unacceptable losses or risking damage to its reputation.

The Company regularly monitors its cash flow and funding options available in the capital markets, as well as trends in the availability and costs of such funding, with a view to maintaining financial flexibility and limiting repayment risks. The Company does not believe that it will encounter difficulty in meeting its financial obligations. Consolidated cash flow information, including a projection for the remainder of the year where applicable, is presented quarterly to the Audit and Risk Committee, which aids in planning to ensure that the Company has sufficient cash to meet expected operational expenses, including the servicing of financial obligations.

The Company has working capital of \$9.7 million at December 31, 2021 in addition to \$22.6 million available for future draws on its revolving credit facility.

The following are the contractual maturities of financial liabilities at December 31, 2021:

	Carrying amounts	2022	2023	2024	2025 and thereafter
Long-term debt	2,375	—	—	—	2,375
Long-term debt interest	231	76	76	76	3
Accounts payable	2,593	2,593	—	—	—
Current income tax	2,527	2,527	—	—	—
Leases	1,018	940	78	—	—
Long-term payable	256	—	256	—	—
Total	9,000	6,136	410	76	2,378

(D) MARKET RISK

Market risk is the risk that changes in market prices will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

(I) COMMODITY PRICE RISK

The Company is not directly exposed to commodity price risk as it does not have any contracts that are directly based on commodity prices. A change in commodity prices, specifically oil and natural gas prices, could have a material impact on the Company's customers' cash flows and could therefore affect the level of seismic data library sales and participation surveys. Commodity prices are affected by many factors, including supply and demand. The Company has not entered into any commodity price risk contracts. Given that this is an indirect influence, the financial impact on the Company of changing oil and natural gas prices is not reasonably determinable.

(II) INTEREST RATE RISK

The Company's interest rate risk exposure is mainly related to long-term debt. The Company is exposed to interest rate cash-flow risk on its floating-rate long-term debt as described in note 9. Changes in market interest rates will cause fluctuations in future interest payments.

The Company earns minimal interest income on its cash balances.

A change of 100 basis points in interest rates for the year ended December 31, 2021 would have increased or decreased equity and earnings or loss by \$80,000 in 2021 (2020 - \$289,000), assuming all other variables remained constant.

(E) FAIR VALUES

The fair values of cash and cash equivalents, accounts receivable (short and long-term) and accounts payable (short and long-term) approximate their carrying amount largely due to the short-term maturities of these instruments.

19. Capital management

The Company considers its capital structure to include shareholders' equity and long-term debt.

As at December 31,	2021	2020
Shareholders' equity	44,141	25,266
Long-term debt	2,265	27,715
Total capitalization	46,406	52,981

The Company's primary objective when managing capital is to preserve its ability to execute its long-term growth plan of significantly increasing the size of the seismic data library, so that it can maximize revenue and, ultimately, shareholder value. Historically, sales generated from the seismic data library provided the Company with high levels of cash, and its most significant expense is non-cash amortization. Due to this, the Company has been able to repay long-term debt and continue to fund data library growth.

The Company requires flexibility in managing the capital structure so that it can take advantage of opportunities to raise additional capital as opportunities for data acquisitions or participation surveys arise. The Company uses a combination of debt and equity and relies on key internal measures such as the long-term debt to trailing-twelve-month cash EBITDA ratio and the long-term debt to equity ratio to forecast and structure its capital requirements. From time to time the Company purchases its own shares on the market through its NCIB, the timing of which depends on a number of factors including competing capital allocation opportunities under review, market volume activity and market prices.

Cash EBITDA is defined by the Company as earnings before interest, taxes, depreciation and amortization less participation survey revenue, plus non-cash and non-recurring expenses. Cash EBITDA is a measure that does not have any standardized meaning prescribed by IFRS or Canadian generally accepted accounting principles and is therefore unlikely to be comparable to similar measures presented by other issuers.

The long-term debt to trailing-twelve-month cash EBITDA ratio is calculated as long-term debt at the end of the period, divided by cash EBITDA for the previous 12 months. This measure is substantially the same as the total debt to adjusted EBITDA ratio covenant in the Company's credit facility, with the exception that the covenant calculation under the credit facility allows for the addition of normalized cash flow from acquisitions for the months during the trailing 12 months that the Company didn't own the acquired data.

The total long-term debt to annual cash EBITDA ratio is calculated as follows:

Years ended December 31,	2021	2020
Total long-term debt at year-end	2,265	27,715
Divided by:		
Net earnings (loss)	21,514	(6,786)
Less:		
Warehouse rental revenue	(333)	(300)
Plus:		
Net financing costs	1,827	1,986
Income tax expense	8,667	171
Depreciation	614	667
Amortization of seismic data library	10,010	11,348
Equity-settled share-based compensation	311	264
Restructuring costs	86	203
Annual cash EBITDA	42,696	7,553
Total long-term debt to annual cash EBITDA ratio	0.05:1	3.67:1

The total long-term debt to equity ratio is calculated using the total long-term debt balance, net of debt financing costs, divided by total equity, as follows:

As at December 31,	2021	2020
Total long-term debt, net of debt financing cost	2,265	27,715
Divide by: total equity	44,141	25,266
Total long-term debt to equity ratio	0.05:1	1.10:1

As discussed in note 9, the Company is subject to debt covenants on its revolving credit facility. The Company was in compliance with all covenants at December 31, 2021 and 2020.

There were no changes in the Company's approach to capital management during the year.

20. Other commitments

The following table represents minimum payments under seismic data services contracts:

	2022	2023	2024	2025	2026 and thereafter
Seismic data services	148	—	—	—	—

Obligations for seismic data services contracts include geophysical services such as data storage.

During the year ended December 31, 2021, \$168,000 (2020 - \$153,000) was recognized in selling, general and administrative expenses in respect of seismic data services.

21. Related-party transactions

The Company has a related-party relationship with its Board of Directors and with key management personnel.

(A) KEY MANAGEMENT PERSONNEL COMPENSATION

In addition to their salaries, the executive officers participate in the Company's short-term incentive cash-bonus plan and LTIP (refer to note 12).

Key management personnel compensation comprised:

Years ended December 31,	2021	2020
Fixed salary	822	724
Short-term employee benefits	66	59
Short-term incentive plan	—	124
LTIP	114	105
	1,002	1,012

(B) TRANSACTIONS WITH DIRECTORS

Directors also participate in the Company's LTIP (refer to note 12).

The remuneration of the Directors is as follows:

Years ended December 31,	2021	2020
Directors' fees	180	164
LTIP	67	40
	247	204

(C) INSTITUTIONAL SHAREHOLDER

EdgePoint Investment Group Inc. (EdgePoint), an institutional shareholder in the Company, had a position of 24.6 percent of the Company's total outstanding shares as of December 31, 2021.

EdgePoint was also the holder of the \$10.0 million subordinated debt that the Company utilized to acquire Seitel in January 2019. On June 29, 2021, the Company fully repaid the subordinated debt.

Under the terms of the agreement with EdgePoint, the subordinated debt accrued interest at a rate of 10 percent per annum, payable quarterly at the end of each quarter. For the year ended December 31, 2021, the interest expense debt was \$493,000 (December 31, 2020 – \$1.0 million). The Company's early repayment of the loan incurred a 7.5 percent prepayment premium, resulting in an additional \$750,000 payment to EdgePoint.

22. Subsequent event

On February 17, 2022, the Company declared a quarterly dividend of \$0.0125 per common share to be paid on March 21, 2022 to shareholders of record at the close of business on March 14, 2022.